HUNTINGTON EXPLORATION INC.

ANNUAL REPORT
1997

Corporate Profile

Huntington Exploration Inc. (formerly Goldust Mines Ltd.) is in the business of mineral exploration and development in Canada and is actively pursuing natural resource exploration participation in both mining and international oil and gas ventures. The shares of Huntington are listed on the Alberta Stock Exchange and trade under the symbol "HEI".

Notice of Annual General Meeting

Shareholders are invited to attend the Annual General Meeting on Tuesday, May 12, 1998 at 11:00 a.m. in the Hamilton Room of the Bow Valley Square Conference Centre, Third Floor, 205 - 5 Avenue S.W., Calgary, Alberta.

Contents

Corporate History

Huntington Exploration Inc. (the Company) was incorporated as 676182 Alberta Ltd. under the laws of Alberta by Articles of Incorporation dated November 28, 1995. On February 1, 1996 the Company changed its name to Goldust Mines Ltd. and subsequently, on July 18, 1997 changed its name to Huntington Exploration Inc. The Company adopted the French name equivalency of Exploration Huntington Inc. on the same date. Pursuant to an agreement between the Company and Croinor Explorations Inc., the Company purchased a portfolio of 12 mineral properties in Canada. The acquisition, which closed on March 29, 1996, included a 50 percent interest in the Croinor Gold Property located near Val d'Or, Quebec. On April 14, 1996 the Company acquired the remaining 50 percent interest in the Croinor Property from Cambior Inc. From mid-1996 through to the spring of 1997, the Company completed a 50,000 ton open pit bulk sampling project on the Croinor Property producing 5,332 ounces (oz.) of gold. Huntington did not proceed with full scale open pit mining or underground mining on the Croinor Property due to the price of gold. Three of the Company's principal gold properties have been optioned to industry partners for further exploration and development.

Report To Shareholders

Nineteen ninety-seven was a tumultuous year for companies like Huntington Exploration Inc. who were actively involved in the exploration and development segment of the gold industry. The dramatic drop in gold price over the last two years has resulted in a change of focus for the Company from gold exploration and development in Canada to the pursuit of other mineral opportunities and international oil and gas ventures.

The Company's principal activity in the first half of 1997 was the completion of the 50,000 ton bulk sampling project on the Croinor Property which is located near Val d'Or, Quebec. The majority of the ore was processed through the AurBel Mill near Val d'Or which yielded a 97% gold recovery. A total of 5,332 ounces (oz.) of gold were recovered and delivered to the Royal Canadian Mint in Ottawa for sale over the 1996 fall to 1997 spring period. Of the total produced from the bulk sampling project, 4,406 oz. were sold in the first half of 1997, while 926 oz. were sold in the prior year. At the initiation of the bulk sampling program, the gold price was in the order of US$415 per oz. (spring 1996) and by the end of the project had declined to US$340 per oz. (spring 1997) at which point it was not feasible to continue with the open pit operations beyond the bulk sample program or to initiate an underground mining operation on the Croinor Property. While the program was successful in its objectives, operations on the property were suspended due to the low gold price.

In August, 1997, the Company entered into an option and joint venture agreement with South-Malartic Explorations Inc. respecting the Croinor Property. South-Malartic have the right to earn a 70% interest in the property, presently owned 100% by Huntington, by incurring exploration expenditures of $1,500,000 over a five year period with a firm commitment to spend $300,000 in the first two years. South-Malartic have commenced a 29 kilometer geophysical survey on the property to be followed by a 3,050 meter diamond drilling program. The Croinor Property remains a valuable asset to the Company, with significant gold reserves and potential for further exploration to define additional reserves.

In November, Huntington entered into an Option Agreement with Aur Resources Inc. respecting the Tex-Sol Gold Property (100% Huntington) also located near Val d'Or, Quebec, along the southern part of the Abitibi volcanic belt, host to a number of well-known gold deposits. Aur have the right to earn a 51% interest in the Tex-Sol property by incurring exploration expenditures of $500,000 over a three year period with a firm commitment to spend $200,000 in the first year. In February, 1998 Aur began a 2800 meter diamond drilling program to initiate their exploration of the property following extensive geological review of prior work on the property and their two adjoining Annamaque and Valdora properties.

The Macassa Creek and Missing Lake gold prospects, located in the Mishibishu Lake Area of N.W. Ontario and presently owned 100% by Huntington, were optioned to Murgor Resources Inc. in May, 1996. Murgor have the right to earn a 50 % interest in these properties by incurring exploration expenditures of $460,000 over a four year period.

Murgor began their program in the fall of 1996 by conducting a prospecting and sampling program on the Missing Lake and Macassa Creek Properties including other lands adjoining these Company properties. In the spring of 1997 an induced polarization survey was completed on the Macassa Property to define the sulfide bearing zones over 15 kilometers of the cut grid. The results from these surveys combined with the interpretation of airborne geophysical surveys have been applied to define diamond drilling targets to be drilled beginning in the summer of 1998.

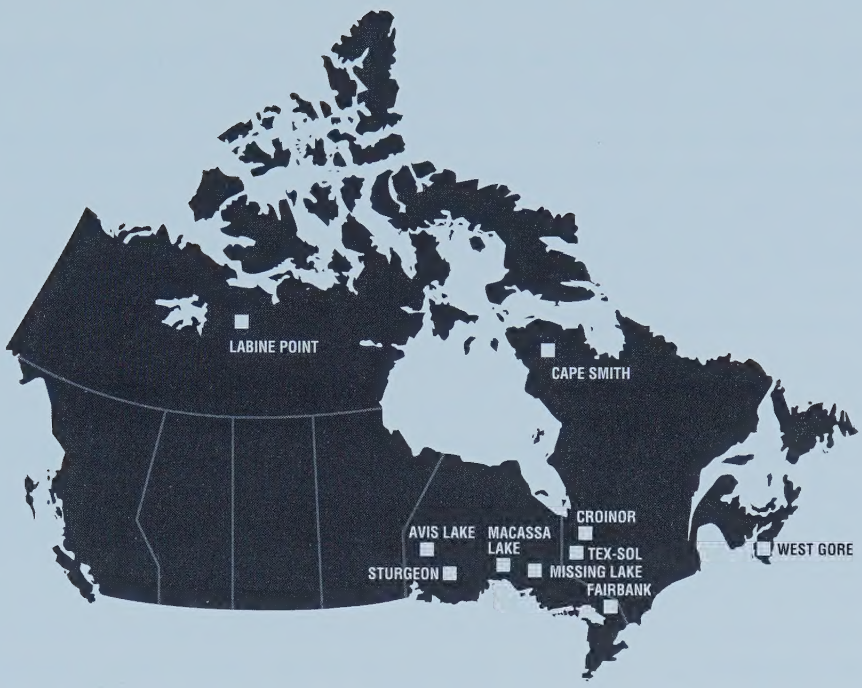
The Company received regulatory approval to change its name to Huntington Exploration Inc. Shareholder approval for the change was received at the Annual General Meeting held on June 24, 1997 and was effective July 18, 1997. The new name is intended to better reflect a broader concentration on the natural resource industry.

With the collapse in the price of gold bullion in international markets, Huntington moved rapidly in mid-1997 to reduce its financial commitments to its gold mining and exploration properties. Currently, Huntington is actively pursuing new natural resource exploration opportunities in both mining and international oil and gas, which have the potential of making major discoveries.

On behalf of the Board,

John A. Pope, P.Eng.
President

March 30, 1998



Review of Mineral Properties

Huntington Exploration has ten mineral properties in Canada as shown in the accompanying map. All 10 properties have undergone geological investigations ranging from grass roots to extensive in previous years. A description of each property under an individual heading is provided outlining the geology and mineral potential of each.

Croinor Property - N.W. Quebec

Property Description

The Croinor Property is located approximately 55 kilometers east of Val d'Or, Quebec and consists of 139 claims covering 2,197 hectares. The Corporation presently holds the 100 % interest in the Croinor Property.

The Croinor Property was initially explored between 1944 and 1948. During this period exploration and development consisted of 11,222 meters of surface drilling, a vertical shaft with four exploration levels and 5,591 meters of underground drilling. The property lay dormant until 1979 when a renewed exploration and development program was carried out which encompassed 17,621 meters of surface drilling, a 702 meter ramp from surface and a 21 kilometer access road. Further exploration and development during 1983 and 1984 involved drilling an additional 10,279 meters from surface and 5,112 meters of hole from underground. Additional drilling consisting of 10,472 meters was completed in 1988 and 1989.

Seven significant gold bearing lenses occur as stacked bodies. These lenses have been explored by surface and underground development over a length of 1,037 meters and to a depth of 198 meters. The Croinor gold bearing lenses occur as en echelon bodies within altered diorite zones. Inclusions of wall rock and coarse-grained carbonate, together with tourmaline and occasional free gold, are found in the quartz veins. Most of the gold values are associated with altered wall rock, which contains an average of 6 % pyrite as well as chalcopyrite and pyrrhotite. Gold distribution is highly variable, as indicated from assays of drill core which vary from trace amounts to 8.05 oz./ton. The concentration of gold is directly proportional to the amount of pyrite.

Reserves

An independent evaluation of the underground potential for the Croinor Project was prepared by Bharti Engineering Associates Inc. in the August, 1996 report which determined the underground mineable reserve is 335,386 oz. at 0.16 oz. of gold per ton. This reserve value has been determined pursuant to the National Policy 2A definition.

Bulk Sampling Program

The Corporation received approval from the Ministre des Ressources Naturelles, in the Province of Quebec, for a 50,000 ton bulk sample extraction on the property in the spring of 1996. Active open pit mining was undertaken in mid-1996 to extract the bulk sample. The goal of the program was to determine the gold recovery levels and feasibility of larger scale open pit and underground gold mining operations on the property. The bulk sampling was completed by the end of April, 1997 yielding 5,332 oz. of gold.

The majority of the ore was mined over the 1996-97 winter months, with most of the milling occurring in February and March, 1997. The last of the bulk sample was milled in April, 1997. The majority of the ore was processed through the AurBel Mill near Val d'Or which yielded a 97% gold recovery. A total of 5,332 oz. of gold were recovered and delivered to the royal Canadian Mint in Ottawa for sale. Of the total gold produced, 926 oz. were sold in 1996 and 4,406 oz. were sold in the first half of 1997. The overall grade of the bulk sample was 2.94 grams per ton (g/t) which is equivalent to 0.095 oz./ton. In mid-1997, with the gold price under US$350/oz. it was not feasible to continue with the open pit operations beyond the bulk sample program or to initiate an underground mining operation on the Croinor Property.

Exploration Program

In August, 1997, the Company entered into an option and joint venture agreement with South-Malartic Explorations Inc. respecting the Croinor Gold Property. South-Malartic have the right to earn a 70% interest in the Croinor Property, presently owned 100% by Huntington, by incurring exploration expenditures of $1,500,000 over a five year period with a firm commitment to spend $300,000 in the first two years. The agreement also provided for cash payments to Huntington totaling $200,000 comprised of initial payments in the amount of $125,000 followed by a further $75,000 in March, 1998. All payments have been received. South-Malartic have commenced a 29 kilometer geophysical survey on the property to be followed by a 3,050 meter diamond drilling program.

Tex-Sol - N.W. Quebec

Property Description

The Tex-Sol Property is located approximately 18 kilometers east of Val d'Or, Quebec. The property is 100 % owned by the Company and consists of 10 claims covering an area of approximately 128 hectares. The Tex-Sol Property is located within the same Greenstone Belt as past and producing mines in the general area.

El Sol Gold Mines Ltd. initially explored the Tex-Sol Property from 1946 to 1948. During this period 11,920 meters in 28 diamond drill holes were completed over two limited areas on the east side of the land holdings. The holes investigated the extension of mineralization outlines on the adjoining Louvicourt Goldfield and Valdora properties. From the drill hole results a system of gold-bearing veins was intersected at depth within the northeast corner of the claim block, on strike with the Louvicourt Goldfield ore shoots. The property remained inactive until 1986 when Dominion Explorers Inc. evaluated the grounds with geological mapping, ground geophysical surveys, and 16 diamond drill holes for a total of 4,988 meters. Four of these holes were drilled within the northeast portion. One hole, T-86-1, yielded an intercept of 42.2 g/t of gold over 3.8 meters.

Tex-Sol A-Zone Extension

The host sills and cross-cutting feldspar porphyry dyke were traced westerly onto the adjoining Tex-Sol and Annamaque properties. Gold mineralization intersected within the northeast corner of the Tex-Sol ground is contained within a 170-meter thick envelope of north striking, gently west dipping, tension veins. The tension veins were found to have a limited strike length so that the mineralized envelope is expected to form an elongate body plunging 30° west, paralleling dip. The system was tested over a strike length of 125 meters and is open up and down plunge. The westernmost workings of the Louvicourt Goldfield mine lie 450 meters to the east. Significant intersections within the northeast or "A-Zone Extension" are as follows:

HOLE #	GRADE		WIDTH *	DEPTH
	(g/t)	oz./t	(m)	(m)
ES-1Z (-90)	10.3	0.33	0.9	275
	16.4	0.53	1.2	345
ES-2X (-90)	14.9	0.48	1.5	295
	10.3	0.33	1.5	365
	21.8	0.70	1.8	580
ES-3Y (-90)	11.7	0.37	2.1	310
	8.3	0.26	2.7	330
	10.8	0.34	2.1	355
	21.7	0.69	1.2	380
	24.5	0.78	1.5	390
ES-4Y (-90)	28.4	0.91	1.2	335
ES-4Z (-90)	101.6	3.26	0.9	385
	5.6	0.18	2.7	505
ES-5Y (-90)	21.9	0.70	0.9	445
	8.6	0.27	0.9	460
	9.5	0.30	1.8	490
T-86-1 (-90)	10.5	0.33	1.4	515
	42.2	1.35	3.8	565

* true widths not known

Similar vein-type gold occurrences discovered on the Tex-Sol and Annamaque Properties indicate that the mineralized system may be much larger than presently defined. The best potential to discover economic mineralization within the sector lies down plunge from the known ore at Louvicourt Goldfield where higher-grade intercepts were yielded from the tension veins on the Tex-Sol ground. Since most holes completed to date over the Tex-Sol occurrence were drilled vertically, the steeply dipping shears related to the tension veins have not been investigated.

Exploration Program

In November, 1997 Huntington entered into an option and joint venture agreement with Aur Resources Inc. respecting the Tex-Sol Property. Aur have the right to earn a 51% interest in the Tex-Sol Property by incurring exploration expenditures of $500,000 over a three year period with a firm commitment to spend $200,000 in the first year. The agreement also provides for cash payments to Huntington totaling $90,000, comprised of an initial payment of $20,000 followed by $30,000 in one year and a further $40,000 in two years.

The current diamond drilling program, which began in February, 1998 being carried out by Aur Resources Inc., involves three deep diamond drill holes which will investigate the extension of the mineralized envelop defined by the Louvicourt Goldfield A and B zones and tension vein system intersected on the Tex-Sol ground. Drilling of 2,300 meters will be carried out on the Tex-Sol portion of the target area, and 500 meters are planned on the Annamaque side, in order to extend the holes far enough to test the north contact of the feldspar porphyry, e.g. the B-Zone extension. The three holes will test up to 300 meters downplunge from the westernmost intercept of the Tex-Sol occurrence in the hope of encountering the extension and to gain a better understanding of the lenses and stock works within the shear zone.

A budget of $250,000 has been allocated by Aur to the Tex-Sol project for 1998.

Mishibishu Lake Area, Ontario

Macassa Creek

The Company owns 100 % of 148 contiguous claims, 124 of the claims are subject to a 10% net smelter return. The entire area was largely undeveloped until the last few years due to the dense forest, which made exploration difficult. Until recently, only regional scale reconnaissance exploration had been carried out on the property. The property was optioned to Noranda Exploration Co. Ltd. between 1988 and 1990. Numerous surface gold anomalies were identified with drilling in the northern portion of the claims identifying three gold-bearing zones. The rocks, largely volcanic in origin, have been subsequently altered, deformed and intruded by later igneous activity.

Missing Lake

The Missing Lake Property is located along the same geological greenstone belt as the Macassa Creek claims and consists of 46 contiguous claims. Until recently, the property had received only reconnaissance geological investigations during which several gold-bearing structures were identified. Gold assays as high as 0.35 oz./ton over 2.6 meters were recorded.

On May 28, 1996 the Company entered into an agreement with Murgor Resources Inc. to option both the Macassa Creek and Missing Lake Properties. Pursuant to this agreement Murgor must incur a total of $460,000 in exploration expenditures over a four year period to earn a 50% interest.

Murgor began their program in the fall of 1996, which involved compilation studies, ground geophysics, stripping, sampling and prospecting on the Missing Lake and Macassa Creek Properties including other lands adjoining these Company properties. In the spring of 1997, an induced polarization survey was completed on the Macassa Property to define the sulfide bearing zones over 15 kilometers of the cut grid. The results from these surveys, combined with the interpretation of airborne geophysical surveys, have been applied to define diamond drilling targets.

On March 3, 1998 Murgor announced the results of the initial diamond drill program in the Mishibishu Area.The Murgor Property is located six kilometers north of the River Gold Mines Ltd.'s producing gold mine, Eagle River. The area tested by Murgor was the Dorset zone. Murgor considers the diamond drilling results to be most encouraging in terms of open pit mining potential. Furthermore, surface sampling and geological exploration indicate that the structures could carry long distances up to 4 kilometers in length. Murgor looks forward to entering into an extensive diamond drill exploration program commencing in early summer, 1998. Huntington's Missing Lake Claims are contiguous and immediately south of the Dorset zone.

West Gore, Nova Scotia

The West Gore Property is located in Hants County, Nova Scotia. The Company owns 100 % of the property comprised of 16 claims of which 12 are subject to a 10% net profits interest. The area has been explored and exploited for antimony and gold since the discovery of the main deposit in the early 1880s. The mine produced 3,000 tons of antimony and 70,000 oz. of gold between 1884 and 1930. In 1985, 19 holes were drilled to test all known mineralized areas and to extend the strike length of the vein structure. Five holes tested the Berggren South Zone and resulted in the discovery of a mineralized zone with the best assay being 0.64 oz.Au/ton and 8.81 % Sb across 1.6 feet. Follow-up drilling in 1986 outlined a mineralized zone 650 feet in length averaging 0.52 oz. Au/ton and 6.6 % Sb over 1.8 feet. Included in this zone is a 7.5 foot wide zone containing 1.04 oz Au/ton and 10.25 % Sb. Further exploration and a feasibility report are required before considering production of the reserves.

Sturgeon Lake, Ontario

The Sturgeon Lake Property is located near Thunder Bay, Ontario. The Company has a 33% interest in this 80 claim property, which is operated by Minnova Inc. An exploration program was conducted in 1988 involving 5,467 meters of drilling to trace down-stratigraphy extension of the Mattabi horizons. The diamond drilling encountered significant alteration in every drill hole and minor zones of Zn-Cu stringers. No economic sulfides were encountered. An electromagnetic survey in 1989 identified a target 900 meters below the surface.

Avis Lake, Ontario

Avis Lake is located in the Red Lake area of Northwestern Ontario. The Company has a 100% ownership in 124 mining leases (3,995 acres) relating to an iron ore deposit. Potential for other base or precious metals exists on the property. The iron deposit was drilled between 1956 and 1958 and outlined two ore zones (A and B) to a depth of 440 feet. The A zone is 11,000 feet long and averages 160 feet wide, while the B zone is 6,000 feet long and averages 120 feet wide. The total open pit mineable resource amounts to approximately 115 million tons of 31.2 % soluble iron. Extraction, concentration and pelletizing tests were carried out in 1958 and yielded the following results:

Concentrate	70.8% Fe304	Pellets	68.39% Fe
	2.0% S102		2.2% S102

A metallurgical review made in 1972 estimated the production of iron ore pellets could total 40,000,000 tons. Future production of the ore body will depend on iron ore prices.

Fairbank, Ontario

The Fairbank Property is located near Sudbury, Ontario. The Company's 100% interest in the property was transferred to Falconbridge Limited in 1989 and Falconbridge is required to pay an advance royalty payment to the Company of $5,000 per year until the year 2008. The Company will receive a 2% net smelter return royalty from any future production on the property. The property contains the potential for large, deep nickel deposits.

Cape Smith, Quebec

Energold Minerals Inc. is the operator of this property located on the north end of the Ungava Peninsula. Huntington holds a 13% interest in the Cape Smith Property. Marginal nickel-copper mineralization has been found on this property.

Labine Point, NWT

The Company holds a 50 % interest in three mining leases at Labine Point, Great Bear Lake, NWT, under lease to 2002. Falconbridge Ltd., as operator of the leases, holds the remaining 50% interest. Over the period 1974 to 1981, Echo Bay Mines Ltd., who owned and operated the adjoining Eldorado Silver-Uranium Mine, optioned the property and carried out exploration consisting of geophysics and diamond drilling.

Management's Discussion and Analysis

In the first half of 1997, the Company's operations centered on the Croinor Gold Property. The exploratory bulk sampling program was undertaken beginning in June, 1996 and completed in April, 1997. The Company processed approximately 56,000 tons of ore and recovered 5,332 oz. of gold net to the Company.

With financial resources of the Company committed to the exploratory bulk sampling program, no work was done on the Company's other properties by the Company in 1997. The Mishibishu Lake Area properties, Macassa Creek and Missing Lake, have been under option to Murgor Resources Inc. since May, 1996. The Croinor Property was optioned to South-Malartic Explorations Inc. in August, 1997 while the Tex-Sol Property was optioned to Aur Resources Inc. in November, 1997 where these companies have agreed to spend their funds on exploration on each property to earn an interest. These properties remain in good standing and will contribute to the future growth and benefit of the Company.

Revenue and Expenses

Revenue for the twelve months ended December 31, 1997 was $2,111,000 including gold bullion sales of $2,098,000, compared to revenue of $498,000 and gold bullion sales of $484,000 in 1996. Funds from operations were $167,000 or $0.02 per share for the period, compared to a negative $1,872,000 or $0.37 per share for the prior year, while the loss was $432,000 or $0.04 per share in the year 1997, compared to $2,395,000 or $0.47 per share in 1996.

Total expenses for the year were $2,542,870 of which $1,646,285 were exploration expenses incurred with respect to the Croinor gold property exploratory bulk sample and $242,169 was depreciation on equipment acquired to undertake the bulk sampling program. General and administration expenses were $274,071 and consisted mainly of salary, travel, share transfer services and office expenses, the majority of which were incurred in the first half. A write-down on the mineral properties of $357,000 was provided in respect of the Croinor Property.

Financial Position

Equipment was sold realizing proceeds of $509,000 in the year following completion of the Croinor exploration bulk sample. Long-term debt in the amount of $103,114 relates to the acquisition of the mineral properties from Croinor Explorations Inc. in 1996. The balance of the debt in the amount of $86,507 consists of a lease contract incurred as a result of the purchase of equipment acquired to undertake the exploratory bulk sample. At the end of the year, the Company had $436,860 in cash and deposits.

Year 2000 Issue

Huntington has assessed the risks associated with the Year 2000 Issue respecting the implications which will arise due to the fact that most computer hardware and software systems use only two digits rather than four to record the year. On January 1, 2000 many systems could fail or create incorrect data due to misinterpretation of the year. Currently, the Company's only in-house use of computer software is its straight-forward accounting program. The Company will close out the 1999 year end and start a new year in 2000 if the provider of the program has not resolved the problem by that time. The Company is not at significant risk due to the Year 2000 Issue.

Management's Report

The accompanying financial statements of Huntington Exploration Inc. have been prepared by management in accordance with generally accepted accounting principles.

The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. Management is satisfied that these financial statements have been prepared accordingly and within reasonable limits of materiality. Further, management is satisfied that the financial information through the balance of this report is consistent with the information presented in the financial statements.

KPMG, independent auditors, have been appointed by the shareholders of Huntington. They have examined the financial statements of the Company for the year ended December 31, 1997 and the auditors' opinion is expressed herein.

The Audit Committee have reviewed these statements with management and the auditors have reported to the Board of Directors. The Board of Directors have approved the financial statements.

John A. Pope, P.Eng.
President and
Chief Executive Officer

Andrew S. Burgess
Andrew S. Burgess, C.A.
Vice President and
Chief Financial Officer

Auditors' Report

To the Shareholders of Huntington Exploration Inc.

We have audited the consolidated balance sheets of Huntington Exploration Inc. as at December 31, 1997 and the consolidated statements of loss and deficit and changes in financial position for the year ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1997, the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants
Calgary, Canada
March 6, 1998

HUNTINGTON EXPLORATION INC.

Consolidated Balance Sheets

December 31, 1997 and 1996

	1997	1996
Assets		
Current assets:		
Cash and short-term deposits	$ 436,860	$ 368,551
Accounts receivable	57,310	254,331
	494,170	622,882
Mineral properties (note 4)	1,237,678	1,739,678
Capital assets (note 5)	317,204	1,066,471
	$ 2,049,052	$ 3,429,031
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 138,608	$ 476,595
Current portion of long-term debt (note 6)	60,203	277,500
	198,811	754,095
Long-term debt (note 6)	129,418	521,954
Site restoration	66,000	66,000
Shareholders' equity:		
Share capital (note 8)	4,481,920	4,481,920
Deficit	(2,827,097)	(2,394,938)
	1,654,823	2,086,982
	$ 2,049,052	$ 3,429,031

See accompanying notes to consolidated financial statements

HUNTINGTON EXPLORATION INC.

Consolidated Statements of Loss and Deficit

Years ended December 31, 1997 and 1996

	1997	1996
Revenue:		
Gold sales	$ 2,098,045	$ 483,808
Interest	12,666	14,019
	2,110,711	497,827
Expenses:		
Surface mining exploration and sampling costs	1,646,285	2,140,636
Write-down of mineral properties	357,000	-
Depreciation	242,169	457,059
General and administrative	274,071	204,164
Site restoration	–	66,000
Interest	23,345	24,906
	2,542,870	2,892,765
Net loss for the year	432,159	2,394,938
Deficit, beginning of year	2,394,938	-
Deficit, end of year	$ 2,827,097	$ 2,394,938
Loss per share	$ 0.04	$ 0.47

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended December 31, 1997 and 1996

	1997	1996
Cash provided by (used in):		
Operations:		
Loss for the year	$ (432,159)	$(2,394,938)
Items not affecting cash:		
Depreciation	242,169	457,059
Site restoration	–	66,000
Write-down of mineral properties	357,000	-
Changes in non-cash working capital	(140,966)	222,264
	26,044	(1,649,615)
Financing:		
Long-term debt	(609,833)	799,454
Issue of shares for assets (notes 3 and 8)	–	1,482,149
Issue of shares for cash (note 8)	–	3,459,324
Share issue costs (note 8)	–	(459,653)
	(609,833)	5,281,274
Investments:		
Proceeds on disposition of capital assets	509,407	-
Option payments received on mineral properties	145,000	-
Acquisition of mineral properties	–	(1,739,678)
Acquisition of capital assets	(2,309)	(1,523,530)
	652,098	(3,263,208)
Increase in cash and short-term deposits	68,309	368,451
Cash and short term deposits, beginning of year	368,551	100
Cash and short term deposits, end of year	$ 436,860	$ 368,551

See accompanying notes to consolidated financial statements.

1. *Incorporation:*

On July 18, 1997 the Company changed its name to Huntington Exploration Inc. from Goldust Mines Ltd. (the "Company"). The Company is incorporated under the laws of the Province of Alberta.

2. *Significant accounting policies:*

(a) Future operations:

The Company has a reasonable expectation that it has adequate resources to continue for the foreseeable future, and accordingly, these financial statements have been prepared on a going concern basis, although additional capital and further business development may be required to achieve profitable operations and positive cash flows on a commercial scale.

(b) Mineral property interests:

Costs of acquiring mineral properties are deferred until either commercial production is established or the property is abandoned; at that time the costs will be either amortized on a unit of production basis or fully charged to earnings.

Proceeds from sale of properties and earn-in arrangements in which the company has retained an economic interest are credited against property costs and no gain is recorded until all costs have been fully recovered. Periodically, a determination is made by management as to the status of each property. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse. At management's discretion, the claims are written off or written down to a nominal value where an interest in claims remains. Management also periodically determines if an exploration property is impaired and whether the carrying value of such property should be written-down and whether exploration costs incurred should be charged against earnings rather than being deferred.

Amounts recorded for mineral properties represent costs incurred to date, net of writedowns, and are not intended to reflect present or future values. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(c) Capital assets:

Capital assets are stated at their cost. Depreciation is provided by the declining balance method at 30% per annum.

(d) Loss per share

Loss per share is calculated based on the weighted average number of shares outstanding during the year.

(e) Reclassifications:

Certain information of the prior year has been reclassified to conform with current year presentation.

3. *Acquisition of mineral properties:*

(a) Related parties:

On March 29, 1996 the Company acquired all the mineral properties owned by Croinor Explorations Inc. ("Croinor") in exchange for 5,023,360 common shares of the Company. The common shares of the Company were issued to the holders of Croinor Participating Rights ("Rights"). The Rights entitled the holder thereof to the beneficial interest in the mineral properties owned by Croinor. Pursuant to a previous transaction the holders of the Rights had received the Rights as a distribution by the parent company of Croinor to its shareholders and upon the completion of the acquisition of the mineral properties the holders of the Rights acquired a majority of the shares of the Company. Accordingly the acquisition was recorded at $1,482,149 being the costs incurred net of provisions for impairment, less liabilities assumed of the mineral properties of Croinor and its predecessor companies.

(b) Unrelated parties:

On April 14, 1996 the Company acquired a 50% interest in a mineral property from an unrelated party for cash consideration of $200,000 and an agreement under which the vendor will mill the ore obtained from the property.

4. ***Mineral properties:***

Mineral properties consist of the following:

	1997	1996
Property acquisitions:		
Croinor property	**$ 718,000**	$ 1,200,000
Tex-Sol property	**230,000**	250,000
West-Gore property	**100,000**	100,000
Macassa Creek	**50,000**	50,000
Missing Lake property	**50,000**	50,000
Avis Lake property	**50,000**	50,000
Other properties	**39,678**	39,678
	$ 1,237,678	$ 1,739,678

The Company has interests in the following properties:

(a) Croinor Property, Pershing Township, Quebec:
The Company owns a 100% interest in 139 mineral claims. Five of the claims are subject to a 10% after-payout net profits interest, 92 claims are subject to a 10% after pay-out net profits interest on a 50% interest in the claims and the remaining 50% interest is subject to 5% after-payout net profits interest and 42 claims are subject to a net smelter return of 1.5%. In August 1997, the Company entered into an Option Agreement with South-Malartic Exploration Inc. respecting the Croinor property which provides for further exploration on the property. South-Malartic has the right to earn a 70% interest in the property by incurring exploration expenditures of $1,500,000 over five years with a firm commitment to spend $300,000 in the first two years. In addition, cash payments to the Company totalling $200,000 are due comprised of initial payments totalling $125,000 which have been received followed by $75,000 due on March 15, 1998.

(b) Tex-Sol Property, Bourlamaque, Quebec:
The Company owns a 100% interest in 10 claims. In November 1997, the Company entered into an Option Agreement with Aur Resources Inc. respecting the Tex-Sol property. Aur Resources Inc. has the right to earn a 51% interest in the property by incurring exploration expenditures of $500,000 over a three year period with a firm commitment to spend $200,000 in the first year. In addition, cash payments totalling $90,000 are due to the Company comprised of an initial payment of $20,000 which has been received followed by $30,000 in one year and $40,000 in two years.

(c) West Gore, Hants Country, Nova Scotia:
The Company owns 100% in an exploration license comprising 16 claims, subject to a 10% net profits interest.

(d) Macassa Creek, David Lakes, Pukaskwa River and Mishubishu Lakes Townships, Ontario.
The Company owns a 100% interest in 148 mineral claims. Of these claims 124 are subject to a 1.5% net smelter return royalty. On May 28, 1996 the Company entered into an Option Agreement with Murgor Resources Inc. respecting the property. Pursuant to the agreement Murgor must incur a total $300,000 in exploration expenditures over a four year period with a total of $50,000 being incurred in the first year to earn a 50% interest in these claims.

(e) Missing Lake, Point Isacor and Mishubishu Township, Ontario:
The Company owns a 100% interest in 46 mineral claims. On May 28, 1996 the Company entered into an Option Agreement with Murgor Resources Inc. respecting the property. Pursuant to this agreement Murgor must incur a total of $150,000 in exploration expenditures over a four year period to earn 50% interest in 45 of these claims and must incur a total of $10,000 in exploration expenditures over a two year period to earn a 50% interest in one of these claims.

(f) Avis Lake, Red Lake area, Ontario:
The Company owns a 100% interest in 124 mining licenses containing 124 claims.

(g) Others including the Sturgeon Lake, Labine, Cape Smith and Fairbank properties.

5. *Capital assets:*

	1997	1996
Mining equipment	$ **600,850**	$ 1,474,918
Office and other equipment	**45,818**	48,612
	646,668	1,523,530
Accumulated depreciation	**329,464**	457,059
	$ **317,204**	$ 1,066,471

Subsequent to the year end, the Company sold a major piece of equipment for net proceeds of $277,500 resulting in a gain of $108,863.

The Company has mining equipment with a book value of $110,250 (1996 - $324,100) under capital lease at December 31, 1997.

6. *Long-term debt:*

	1997	1996
Equipment finance contracts	$ **–**	$ 294,244
Capital lease	**86,507**	402,096
Note payable	**103,114**	103,114
	189,621	799,454
Principal payments due within one year	**60,203**	277,500
	$ **129,418**	$ 521,954

The obligations under the capital lease are as follows:

	1997	1996
1997	$ **–**	$ 176,495
1998	**64,202**	164,148
1999	**26,751**	95,581
	90,953	436,224
Less interest	**(4,446)**	(34,128)
	$ **86,507**	$ 402,096

Note payable is without interest or fixed terms of repayment.

7. *Income taxes:*

At December 31, 1997, the Company had estimated income tax losses and resource deductions of approximately $11,451,572 (1996 - $10,150,000) available to reduce future taxable income. Losses of $365,856 and $379,322 do not expire before 2003 and 2004, respectively.

8. *Share capital:*

(a) Authorized:

The authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series.

(b) Issued and outstanding:

	Number of Shares	Amount
Balance, January 1, 1996	100	$ 100
Issued:		
- for mineral properties	5,023,360	1,482,149
- for cash	5,486,932	3,459,324
- share issue costs	–	(459,653)
Balance, December 31, 1996 and 1997	10,510,392	$ 4,481,920

(c) Stock options:

At December 31, 1997 the Company had issued stock options to officers for 280,000 shares exercisable at $0.20 per share and 200,000 shares at $1.00 per share all of which expire in 2001.

Corporate Information

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Vice-President - Mining,
Huntington Exploration Inc.

John A. Pope
President,
Huntington Exploration Inc.

C. Alan Smith
President,
Aeonian Capital Corporation

William H. Smith
Partner,
McCarthy Tétrault
Barristers & Solicitors

Officers

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Chairman

John A. Pope
President and
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Vice-President, Mining

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